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FM USMISSION USNATO  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 2390  
INFO RUEHDX/MOSCOW POLITICAL COLLECTIVE IMMEDIATE  
RUEHKV/AMEMBASSY KYIV IMMEDIATE 0161  
RHMFISS/HQ USEUCOM VAHINGEN GE IMMEDIATE  
RHEFDIA/DIA WASHDC IMMEDIATE  
RHEHNSC/NSC WASHDC IMMEDIATE  
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RUEHNO/USDELMC BRUSSELS BE IMMEDIATE  
RHMFISS/USNMR SHAPE BE IMMEDIATE

C O N F I D E N T I A L USNATO 000391

SIPDIS

E.O. 12958: DECL: 10/21/2018  
TAGS: [PREL](#) [MARR](#) [NATO](#) [PARM](#) [PGOV](#) [UP](#)  
SUBJECT: ACTION REQUEST: POSSIBLE FAILURE OF THE  
NATO-UKRAINE TRUST FUND

REF: A. STATE 111716  
[1](#)B. KYIV 1257  
[1](#)C. KYIV 782  
[1](#)D. STATE 34695  
[1](#)E. 06 KIEV 2279

Classified By: CDA W.S. Reid III  
for reasons 1.4 (b) and (d)

[1](#)1. (C) This is an Action Request. Please see paragraph 8.

[1](#)2. (C) Summary: After ongoing failures by Ukraine to meet its obligations, the United States-led NATO Ukraine Trust Fund is one month away from becoming the first Partnership for Peace Trust Fund in NATO's history to fail. The project as currently constituted, which provides for the destruction of MANPADS, small arms/light weapons and munitions, must end by 31 December 2008. Any decisions on the survival of the project and a possible extension must be taken no later than November 14 in order for the NATO Maintenance and Supply Agency (NAMSA) to have sufficient time to shut down the project by the end of 2008. USNATO requests Department concurrence with the NAMSA proposal to formally notify Ukraine of its deadline, on the understanding that the United States, NATO, donor nations, NAMSA, and Ukraine will all continue efforts to seek a resumption of delivery of weapons for destruction before the project is forced to close. End Summary.

[1](#)3. (C) After close to a year of failures by Ukraine to meet its obligations (reftels), the United States-led NATO Ukraine Trust Fund is one month away from becoming the first Partnership for Peace Trust Fund in NATO's history to fail. The project, as currently constituted, must end by 31 December 2008. The NATO Maintenance and Supply Agency (NAMSA), the implementing agent for the trust fund, has advised USNATO that any decisions on the survival of the project and a possible extension must be taken no later than November 14 in order for NAMSA to have sufficient time to shut down the project by the end of 2008.

[1](#)4. (C) The NATO-Ukraine Trust Fund demilitarization project to destroy 1,000 Man-portable Air Defence System (MANPADS) missiles, 15,000 tons of munitions and 400,000 SALW in Ukraine is the first phase of a planned 12 year project to destroy 133,000 tons of munitions and 1.5 million SALW. The project, which was initiated in January 2006 at Ukraine's request, is led by the United States with funds provided by 17 nations and the European Union. The aims of the project and the obligations of Ukraine and NAMSA, as NATO,s

Executing Agency, were laid out in an Implementing Agreement signed by both parties in November 2005. All 1,000 MANPADS were successfully destroyed between July and September 2006. The SALW element was initiated in January 2007 with the aim of destroying 185,000 weapons in 2007 and the balance by the end of 2008. However, to date, less than 135,000 SALW have been destroyed because of the restrictions placed on the release of weapons by the Cabinet of Ministers at the insistence of the Ministries of Economics and Finance who consider that these weapons are an asset that should be retained with a view to selling them. Since this problem was identified in mid-2007 all efforts to overcome the impasse, in Kyiv, Washington and Brussels have been ineffective.

15. (C) NAMSA has written to USNATO to share that the Ukrainian Ministry of Defense will resubmit the case by 30 October to the Cabinet of Ministers. The MOD will present a redrafted justification based on the need for Ukraine to fulfill its international obligations, and the poor economic logic in seeking to sell these weapons. NAMSA has also shared with USNATO the text of a letter to PM Tymoshenko highlighting that failure to meet this mutually agreed commitment is likely to have a negative effect on potential donors to future assistance projects.

16. (U) Donor assistance to this project has been diverse, including funding from 14 Allies (Bulgaria, Canada, Germany, Hungary, Iceland, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Slovakia, Turkey, United Kingdom, and the U.S.), and five Partners (Austria, Ireland, Sweden, Switzerland, and Ukraine). This project has also been a first test case of the concept of EU funding for a NATO PfP Trust

Fund activity.

17. (C) NAMSA advises that in order to meet the end of 2008 deadline it needs to start the process of closing down the project if deliveries of SALW earmarked for destruction have not resumed by November 14. If SALW deliveries resume, and the United States agrees the project should continue for an additional year, we will have to provide confirmation to NAMSA and notify the donors.

18. (C) Action Request: NAMSA has requested United States approval, as lead nation, for the NAMSA General Manager to write to the Ukrainian Defense minister, notifying him that, after consultation with the Lead Nation, it will be necessary to begin the closure of the project unless SALW deliveries resume by 14 November. USNATO requests Department concurrence with this proposal, on the understanding that the United States, NATO, donor nations, NAMSA, and Ukraine will all continue our efforts to seek an end to the impasse until the project is forced to close. We understand from Embassy Kyiv that a clause along lines of: "... although continuation of project with funds already committed by partners could allow for project to draw down beyond December 31, 2008" might allow for greater flexibility in handling the situation should deliveries of SALW fail to recommence. We offer this suggestion for Washington's consideration with the observation that such an approach would likely require positive assent from each of the donors for their respective funds to be used in this way. End Action Request.

19. (C) USNATO would like to again suggest that this issue become the subject of seventh-floor conversations with Ukrainian counterparts. Ukraine's reputation at NATO has already been buffeted by internal political developments. A NATO Trust Fund failure would attach Ukraine's failure to the NATO Alliance brand, something that could well be highlighted by critics of MAP for Ukraine. The NAMSA deadline falls just after the November 12-13 meeting of NATO and Ukrainian defense ministers in Tallinn, and less than three weeks before NATO foreign ministers gather to consider the issue of MAP for Ukraine. Both ministerial gatherings could be buoyed from an announcement that a solution has been found, and that Ukraine is working successfully with the NATO Trust Fund to meet its obligations.

10. (SBU) Attached are texts of three pieces of key correspondence received by USNATO on October 20:

A: NAMSAs October 20, 2008 e-mail to USNATO requesting guidance

B: Text of an October 3 Ukrainian MOD letter to NAMSAs restating the MOD's commitment to completion of the project and its intention to reapproach the Cabinet of Ministers by October 30.

C: Text of a September 11, 2008 letter from the NAMSAs General Manager to PM Tymoshenko requesting her personal involvement in resolving the impasse.

BEGIN TEXT OF CORRESPONDENCE:

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TEXT OF THE OCTOBER 20 E-MAIL SENT TO USNATO BY THE  
NAMSAs DIRECTOR FOR LOGISTICS PROGRAMS AND OPERATIONS  
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Dear Mr. Greaney,  
NAMSAs General Manager wrote to the Prime Minister of Ukraine on 11 September (attached) outlining the problems surrounding the Trust Fund project and requesting her intervention to prevent the failure of the project. Last week we received the attached reply signed by Deputy Minister of Defence, I.L. Montrezor, writing on the instructions of First Vice-Prime-Minister O.V.Turchynov. It is the first time we have received in writing a plan to break the longstanding deadlock over releasing SALW for demil. The Ministry of Defence proposes to resubmit the case to the Cabinet of Ministers with a redrafted justification based on the need for Ukraine to fulfil its international obligations; and to prepare a case proving the impracticality of renovating the weapons for sale. They intend to submit the relevant papers to the Cabinet of Ministers by 30 October.

As this is the first time we have received such a positive response in writing from the Ministry of Defence, it is an encouraging development. Before responding, we need guidance from you as the representative of the Lead Nation.

In response to your recent informal discussion with NAMSAs, we have reviewed an exit strategy for this project. As it is currently constituted, the project must end on 31 December 2008. Taking into consideration the need to send notices of termination to contractors at least 30 days in advance, the need to give a minimum of 30 days notice to our employees in Ukraine and to close down our office in Kiev, the deadline for deciding whether to continue or terminate the project should be 14 November.

We propose that NAMSAs should start the process of closing down the project if deliveries of SALW earmarked for destruction have not resumed to Kamyanets-Podilskyy by that date. If you agree that, in the event of SALW deliveries resuming, the project should continue for an additional year (as previously discussed) we will need your formal confirmation so that we can take action to revise the budget and the various agreements through which the project is constituted.

We propose that our General Manager should reply to the Deputy Minister's letter stating that, after consultation with the Lead Nation, it will be necessary to begin the closure of the project unless SALW deliveries resume by 14 November. We would therefore appreciate your early agreement to this action, in coordination with NATO International Staff.

Finally, and for your information, the EWI arrived in Odessa on 14 October and is awaiting customs clearance. It will stay there until this issue is resolved.

Regards,  
Linda Bird

Linda Bird  
RADM, SC, USN (ret)  
NATO Maintenance and Supply Agency (NAMSAs)  
Director Logistics Programmes and Operations

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TEXT THE UKRAINAIN DEFENSE MINISTRY'S LETTER TO NAMSA:  
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Office in Ukraine  
Mr. STEVE BROWN  
Kurska 13 "Z", Kyiv, 03049 Ukraine

Dear Mr. Brown

The Ministry of Defence of Ukraine presents its compliments to You and would like to express gratitude for understanding of challenges the Ukrainian society faces currently. I would like to inform, that under the instruction by the First Vice-Prime-Minister of Ukraine O.V.Turchynov of 26 September 2008 No.46658/1/1-08, consideration of Your letter and providing information regarding continuation of work to implement the terms and conditions of the Implementing Agreement between the Cabinet of Ministers of Ukraine and the NATO Maintenance and Supply Organisation (NAMSO) to demilitarize man-portable air-defence systems, small arms and light weapons and conventional ammunition, has been imposed on the Ministry of Defence of Ukraine.

In order to implement the above mentioned agreement, a purchase order LU-UM/4500161657 of 17.10.2006 was signed by the Ministry of Defence of Ukraine, the State Enterprise of the Ministry of Defence of Ukraine "Ukroboronleasing" and MANSA to demilitarize 400 thousand small arms. 108 308 weapons had been demilitarized in 2007. During the first half of 2008, some 24 519 small arms have been demilitarized. The total volume of the demilitarized small arms is equal to 33.2 per cent of the planned.

The Ministry of Defence of Ukraine had established the Centre of materiel demilitarisation (town of Kamyanets-Podilskyy) through the State Enterprise &Ukroboronleasing8. At present, works at the named Centre for its intended purpose have been suspended.

The Ministry of Defence of Ukraine works to find ways of unconditional fulfilment of the international obligations of Ukraine.

In the opinion of the experts of the Ministry of Defence of Ukraine, fulfilment of the Implementing Agreement and ensuring the Ukraine's image of a reliable partner can be achieved in two ways:

by initiating the repeated approach to the Cabinet of Ministers of Ukraine (with providing a relevant economic justification) to consider the issue of approving the draft List of small arms earmarked for demilitarization in line with the Implementing Agreement with total number of about 260 thousand weapons;

by writing off the small arms earmarked for destruction according to the Implementing Agreement, after preparation of economical justification proving impracticality of renovation (capital repairs), and enlisting the small arms in the general list of wear and tear materiel subject to approval by the Ministry of Defence of Ukraine.

Aimed at continuation of work connected with the discussed issue, it is planned to prepare a technical and economical justification of inefficiency of repairs as well as further storage of the defined quantity of the small arms, followed up with preparation of the necessary documents for demilitarization by 30 October 2008.

After completion of the above coordination procedures, the Ministry of Defence of Ukraine plans to resume work of the Centre of materiel demilitarisation (town of Kamyanets-Podilskyy) through the State Enterprise "Ukroboronleasing" to its full capacity.

Besides, it is expected to extend the completion date of the contract LU-UM/4500161657 of 17.10.2006 signed by the Ministry of Defence of Ukraine, the State Enterprise of the Ministry of Defence of Ukraine "Ukroboronleasing" and NAMSA. Please inform the General Manager of the NATO Maintenance and Supply Agency (NAMSA) Mr. Karl-Heinz Mnzner about aspiration of the Ministry of Defence of Ukraine to complete demilitarization of the small arms in the framework of the

NATO Partnership for Peace Trust Fund Demilitarization  
Project.  
Yours respectfully  
Deputy of the Minister of Defence of Ukraine signed  
I.L.MONTREZOR  
Executor: Khokhol H.V.  
Tel. 271-12-27  
004357 \*

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TEXT OF NAMSA GENERAL MANAGER'S LETTER TO PM TYMOSHENKO:  
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Karl-Heinz MNZNER  
Major General (Ret)  
General Manager

G/2008/486 11 September 2008

Her Excellency Ms Yulia Tymoshenko  
Prime Minister of Ukraine  
Cabinet of Ministers of Ukraine  
12/2 Hrushevsky Street  
01008 Kyiv  
Ukraine

The NATO Maintenance and Supply Agency (NAMSA) presents its  
compliments to the Government of Ukraine and to you  
personally.

I am writing to request your assistance in securing the  
release for destruction of Small Arms and Light Weapons  
(SALW) within the framework of the NATO Partnership for Peace  
(PfP) Trust Fund demilitarization project to destroy 1,000  
Man-portable Air Defence System (MANPADS) missiles, 15,000  
tonnes of munitions and 400,000 SALW in Ukraine. This is the  
first phase of a planned 12 year project to destroy 133,000  
tonnes of munitions and 1.5 million SALW.

The project, which was initiated in January 2006 at  
Ukraine,s request, is led by the United States with funds  
provided by 17 nations and the European Union. The aims of  
the project and the obligations of Ukraine and NAMSA, as  
NATO,s Executing Agency, were laid out in an Implementing  
Agreement signed by both parties in November 2005.

The 1,000 MANPADS were successfully destroyed between July  
and September 2006. The SALW element was initiated in  
January 2007 with the aim of destroying 185,000 weapons in  
2007 and the balance by the end of 2008. However, to date,  
less than 135,000 SALW have been destroyed because of the  
restrictions placed on the release of weapons by the Cabinet  
of Ministers at the insistence, we understand, of the  
Ministries of Economics and Finance who consider that these  
weapons are an asset and should be retained with a view to  
selling them.

Since this problem was identified in mid-2007 all efforts to  
overcome the impasse, by NAMSA and the Lead Nation in  
cooperation with the Ministry of Defence of Ukraine, have  
proved ineffective. Failure to meet this mutually agreed  
commitment is likely to have a negative effect on potential  
donors to other projects . The result will be that not only  
this project and its remaining phases will fail, but further  
support to Ukraine,s efforts to reduce the threat from its  
very substantial munitions and weapons stockpiles will be  
jeopardised.

May I therefore respectfully request your personal  
involvement in resolving this fundamental issue at the  
earliest opportunity. May I also assure you of our continued  
support and best efforts to secure a successful outcome to  
all aspects of the demilitarization project.

Copy to:

Mr Vikto Baloha  
Head of Secretariat to  
The President of Ukraine  
11 Bankova Street

01220 Kyiv  
Ukraine

END TEXT OF CORRESPONDENCE  
VOLKER